

# ACCOUNTANCY

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## PROFESSIONAL NOTES

### Reports and Accounts in War Conditions

A large amount of paper could undoubtedly be saved if company reports and accounts were suitably planned. In too many cases heavy paper and large print are used where thin paper and small print would do. It is still quite usual for the report and accounts to be bound in a cover, often of thicker paper, bearing the name of the company and a few other particulars on the front page and nothing on the other pages. A whole inner page is frequently devoted to the directors' names. At a conservative estimate, one-half of the paper used in company reports and accounts could probably be saved with no loss of informativeness. It should not be necessary to point out that cutting down the information given to shareholders and others is *not* a desirable way of economising in paper. Unfortunately, however, the remark is rendered necessary by the very noticeable deficiencies in reports and accounts appearing in recent months. We do not, of course, refer to the omission of figures publication of which would be of use to the enemy: detailed information on the purely financial and accounting side of a company's affairs would rarely come within this category. The movement towards more informative accounts, apart from statistics and facts which must not be divulged in the national interest, which had been making progress before the war, has unfortunately been arrested and even reversed. For example, it is now more rather than less usual for the bare net profit to be given without any explanation as to how

it is arrived at, thus making intelligent consideration of the profit and loss account almost impossible. The war must not be made an excuse for financial obscurantism.

Many public companies have announced that their annual accounts are delayed, and in numerous cases general meetings called in 1940 have been adjourned until the report and accounts are ready. It is understandable that a company which is mainly engaged abroad may not be able to produce the figures for the year's operations in time: this explains the delay in the publication of the accounts of many rubber companies. Pressure of work upon staffs and the bombing of offices are given as reasons for delay in other cases, and in these cases also delay is probably unavoidable. It is rather disturbing, however, to find a number of companies announcing that their report and accounts are held up while terms and prices are being negotiated with Departments in respect of work undertaken for the Government. This seems to indicate that "progress" payments are not always as up-to-date as official apologists aver, and that contractors are frequently forced to finance themselves over lengthy periods, though working at high pressure on Government work. This, indeed, is a state of affairs which many accountants will have found among their clients, and though some Government Departments are more to blame than others, the whole question of prompt payment for work done deserves examination in high quarters. It would be

lamentable if the war effort were held up because contractors lacked finance, but delays in settlement by Departments, added to the effects of 100 per cent. E.P.T., do in fact threaten this in some instances.

### The Bank Chairmen's Addresses

January usually brings long and impressive speeches from the Chairmen of the large banks at the annual general meetings. On such occasions, the Chairmen normally cover a wide range of topics of economic and financial interest. This year, however, they limit themselves almost entirely to the domestic affairs of their own banks. This seems a pity, for there is much in our economic and monetary affairs at the present time upon which leaders of banking could have something useful to say. One noteworthy feature of this year's addresses is that they were circulated among shareholders in printed form with the report and accounts—in recognition of the fact that attendances at the general meetings were bound to be much attenuated in present conditions. This is a practice which is likely to become fairly general. The great advantage of placing all shareholders in possession of the Chairman's remarks, which in many cases may be a very important addition to the information in the report and accounts, fully outweighs the extra expenditure of paper, especially if, as suggested in the previous note, paper is economised in the production of these documents themselves. The circulation of the Chairman's address is, indeed, likely to outlast the war, for small attendances at general meetings were usual before bombing and travelling difficulties supervened.

### "Staggered" Pay-Days

The "staggering" of pay-days has much to commend it even in normal times. In present conditions the advantages are manifest. Since shops must now close early in the evening, it would obviously help retailers and customers alike if the main shopping were not concentrated on Friday evening and Saturday. But this concentration is inevitable if Friday remains almost universally the pay-day for weekly wage-earners. Congestion in the main shopping thoroughfares of our big towns not only provides a target for enemy raiders but also hinders the movement of traffic, much of it engaged on war purposes. Further, shortages in the supplies of perishable articles in the shops would be less likely to occur, since their proper distribution would be facilitated, if shopping were spread more evenly over the six weekdays. Both large and small employers should give consideration to this question—the former might be able to adopt several pay-days instead of Friday, and the latter might change to one other day. The large employer of labour would probably find that the relief which the "staggering" of pay-days would afford his staff in the cashier's department would be a very real advantage. The idea of "staggered" pay-days has not yet gone very far—though a number of large employers of labour, for example, the Cumberland County Council, have already departed from the Friday pay-day—but it is to be hoped that it will be rapidly adopted throughout the country.

### Reduced Popularity of Life Assurance

Figures published by the life assurance offices show that practically all of them suffered reductions in the volume of new assurances taken out by the public in 1940, in comparison with 1939. The total of new sums assured in 1940 appears to be about 60 per cent. of that of the previous year, which itself was about 20 per cent. below the 1938 total. It is a reason for surprise, not that this decline occurred, but that it was so moderate. The embodiment in the Forces of a large number of men, often entailing substantial reductions in their incomes, and invariably causing large increases in the premiums on new life policies, has naturally meant much less new business in the lower age groups. The continued decline in the new interest earnings of the life offices has given an impetus to the general rising trend of premium rates which has been in evidence for several years. The extra premium required by most offices for new policies assuring against the war risks adds very considerably to the cost of life assurance to the newly assured person who is seeking a complete cover. Further, other forms of saving have been in active competition with life assurance during the past year.

### War Damage Bill

The Government's proposals for covering property against war risks, contained in the voluminous War Damage Bill now before Parliament, have been generally approved by the public, as far as broad outline is concerned. There are, however, many reservations on points of detail and a great number of suggested amendments will be considered in the House. The major amendments proposed concern the difference between the "costs of works" payment proposed for repairs effected to damaged buildings and the "value" payment for property totally destroyed. The latter payment is to be based on prices obtaining on March 31, 1939, and seems to involve an anomaly in comparison with the "cost of works" payment, where the cost of repairs at current prices will be reimbursed. Another important matter to be considered is the allocation of liability between mortgagors and mortgagees; as the Bill stands mortgagees contribute nothing where the annual value of the building is in excess of £100 and this limitation is bound to meet with considerable criticism. We propose to devote further attention to this important Bill when these and other outstanding points are settled.

### Shorter Notes

All companies of which the securities are dealt in on the London Stock Exchange have been asked to notify the Exchange of the dates on which boards will meet to consider dividends. This, it is hoped, will mean that dividend decisions will be known to dealers and others in London as early as in the provinces.

The suggestion that a tax similar to the Excess Profits Tax should be imposed upon personal incomes has received the support of the Federation of Master Cotton Spinners' Association and the Parliamentary Monetary Committee.



# ACCOUNTANCY

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## WATCHING FOR WASTE

The Select Committee on National Expenditure is doing excellent work in drawing attention to any indications of waste in our national effort. The value of this work will be particularly plain to the accountant, whose own labours are partly directed towards a similar end on the plane of private business.

In its last report, the seventeenth, the Select Committee emphasises two or three directions in which excessive costs of production are prevalent. The Committee devotes much attention to the equally important question of the effect of long hours of labour upon costs in engineering industries. It finds that hours have been lengthened to such a point that output has not merely failed to increase proportionately with hours worked, but has even in some cases declined. From the point of view of monetary costs, this situation is aggravated by the payment of higher rates for overtime and double rates for Sunday work. "After two months of extreme effort the expected symptoms began to appear. Absenteeism became much more common and men arrived late for their work. Sunday labour led in some instances to men taking a day off in the middle of the week, when, of course, they only lost an ordinary day's pay and earned double pay on Sunday to make up for it."

These are all facts which the experience of the last war should have made common knowledge. There may, however, have been an excuse for turning a Nelsonic eye towards them last May and June, when the country was in direst peril and when immediate production was imperative above all things. The excuse no longer holds. The race is not a sprint, but a marathon, and production at a high level over a long period is essential.

In consequence, there must be general agreement with the conclusion of the Committee that hours should be reduced to an average of 60 a week, with the aim of a further reduction to 55 or 56 hours a week, which experience has shown to be the optimum standard. If, as the Committee recommend, the three-shift system is introduced wherever possible, machinery can be in operation 24 hours a day for seven days a week without excessive hours being worked by men and women. The result should be a substantial decline in the unit cost of production.

The Committee places the emphasis upon costs—which is, in truth, where it should be placed. Not so, however, with the Treasury and Supply Departments, whose primary object, the Committee states, seems to have been to prevent contractors making

undue profits. This is a mistaken object, even without taking into account the Excess Profits Tax, for "a far greater economy may be achieved if waste is eliminated from the total cost of the product. Since the introduction of the Excess Profits Tax this question of costs has become even more important, because it is now incumbent on the Supply Departments to see that the price fixed is not too large, as almost all incentive to economy on the part of the manufacturer has been removed by the fact that any extra profit is taken away."

The Departments are handicapped by the fact that they have no power under their contracts to examine the current costs of production, but confine themselves to post-costings. The Select Committee urge that there should be an investigation of costs before and during the performance of a contract, not after it is completed. Current figures of costs would enable a real check to be exercised upon the efficiency of contractors. Detailed figures of current costs of production must, they state, be compiled by many of the larger firms, in order to run their businesses in an efficient manner, and could be made available to the Departments for examination.

It would appear that in making this guarded reference to the provision of costings by "larger firms," the Committee were not apprised of the extent to which cost accountancy has established itself in modern business. In our view, adequately detailed cost figures are kept over a far wider range of industry than the Committee appear to indicate. There does, indeed, seem to be no valid reason why these figures should not be utilised by the Departments. But the argument must be pushed even further. The multiplication of official investigations by Government Departments is, in our view, not the best, or even a good, method of establishing a proper check. Even where businesses have not kept current costings, the professional accountant is ideally placed to help in providing them. We have argued before in these columns that the professional accountant, acting as "independent arbiter" (to use Lord Stamp's term), is in the most favourable position for supplying, through his client, costing information to the Departments upon the basis of which they can institute checks and regulate contracts. The view put forward by Mr. Percy Toothill, the President of the Society of Incorporated Accountants, at the last annual general meeting, expresses the point admirably and demands repetition:—

I am convinced that control at the source—that is, in the initial contract prices—is preferable to extremely high taxation after the profits have been made. But for such control to be completely efficient, I am also convinced that the accountancy profession must be drawn into whole-hearted co-operation with the Government. . . . The independent accountant, in almost daily touch with his client and thoroughly familiar with his business and records, can provide the essential information required by the Government in such matters as costing with precision and a full sense of responsibility, and with the omission of much of the preliminary work which is inevitable where a Government accountant conducts the investigation from the initial stages.

# The Company Secretary in War Time

[CONTRIBUTED]

Of the many enactments and orders that have arisen as a result of the war, surprisingly few directly affect the company secretary, but the number of those that affect him indirectly is embarrassingly large. Reference to them in this article will only be made where they encroach in particular degree upon the secretary's duties. For convenience the main practical points will be dealt with under the headings which are usually associated with the routine work of a company secretary.

## Transfers

The transfer procedure differs little from that operating immediately prior to the war, except for the fact that every transfer lodged with the company must now have attached to it a declaration of non-enemy interest in the transaction, to comply with Regulation 3A of the Defence (Finance) Regulations, 1939, under the Defence of the Realm Act, 1939. The evidence to support the transfer must be supplied on Form D. This will show whether the persons interested in the security, either as transferors or transferees, are resident in the sterling area, and where any non-resident (a resident out of the defined sterling area) interest is involved, whether in the case of a transferor or a transferee, that permission to the transfer has been granted on behalf of the Treasury. The sterling area consists of the United Kingdom and Eire, certain Dominions, any other part of His Majesty's dominions outside the British Islands, and territory mandated to this country or any Dominion, any British protectorate or protected State, Egypt, the Anglo-Egyptian Sudan and Iraq. The countries outside the sterling area are the U.S.A. and Dependencies, Switzerland, "Special Account" and other countries. Particulars as to the last two categories can be obtained from any bank in the United Kingdom. The Channel Islands and the Isle of Man were formerly in the sterling area, but are now outside it.

If the declarations in either Sections 1 or 2 of Form D (which provide for particulars as to the transferor and transferee) show that there is any enemy interest in the transaction, the secretary should not accept the form unless it is completed in Section 4 by the Bank of England, another approved bank, or the Share and Loan Department of the London Stock Exchange, Associated Stock Exchange or Provincial Brokers' Stock Exchange, showing that permission to the transfer has been given.

If Sections 1 and 2 of Form D are signed by the transferor and transferee, or on their behalf by approved principals, and the declarations are in each case supported by a signature and stamp of an approved bank or stock exchange, the secretary will usually be protected in accepting the form. There is no need for him to concern himself as to the pre-

liminaries, important though they be, that must be complied with prior to signing the declarations; those are matters which more directly concern the broker or the banker in that transfers must be complete when lodged with the company for registration; furthermore, the secretary is entitled to assume that all formalities applicable to war time conditions have been complied with. It is important to observe that there is no need to complete Form D in the cases of a transmission by Form of Request, or a transfer accompanied by certificates signed by a solicitor to the effect that the relative transfer, or acquisition of a security, arises by operation of law or by inheritance.

When despatching to places abroad share certificates arising out of the transfer it would be advisable to have completed Form C (obtainable from the company's banker), which contains a declaration to be signed by the secretary setting out the nature of the securities in question. The form refers to the export of securities, but, strictly speaking, a company is merely despatching scrip to the rightful purchaser, or is sending them abroad as a result of an endorsed certificate arising out of the registration of a probate, and is not actually exporting securities as understood by Form C. In spite of this, however, the authorities require the declaration in Form C to be made by the issuing company, otherwise the censor will not allow the certificate to go forward.

## Dividends

In despatching dividend warrants, the provisions of the Defence (Finance) Regulations, 1939, should be carefully observed. The normal procedure of preparing the warrants should be adhered to. Upon completion of the warrants, the lists should be exhaustively scrutinised for the purpose of ascertaining whether any among them are or are believed to be, of enemy origin. Those payable within the sterling area (*supra*) can be posted at once. Those payable outside the sterling area must, before despatch, be lodged with the paying bankers with schedules, showing the definitive numbers of the warrants, the amount of each warrant, the payee's name, and the country to which the warrant is despatched; with an accompanying declaration that certain restrictions have been complied with. Any warrants that are, or appear to be, payable to persons of enemy origin, should be withdrawn and particulars of the withdrawn warrants should be sent to the Custodian of Enemy Property, Kingsway, London, W.C.2. Warrants to payees in enemy-occupied territory must also be withdrawn. On the dividend list the word "Hold," or some other distinguishing word, should be recorded against the entry concerned.

In this connection the provisions of the Limitation



Act, 1939, under which the period of limitation of a specialty debt is reduced from twenty to twelve years, might be mentioned. Under this enactment the secretary need not retain unpaid warrants beyond the new statutory limit.

#### Probates and Powers of Attorney

Two wartime enactments must be considered in dealing with probates or powers of attorney. Under the Execution of Trusts (Emergency Provisions) Act, 1939, delegation to persons jointly and severally is excluded. Secretaries may still sometimes receive a power of attorney in the name of persons jointly and severally, and it is understood that such a document may be accepted as though the words "and several" and "severally" were omitted.

Under the Evidence and Powers of Attorney Act, 1940, a power of attorney executed after July 12, 1940, outside the United Kingdom by a member of H.M. Forces or nursing services, or by a British subject in enemy territory, must be attested by at least one witness and filed in the Central Office. Such an instrument must be presented by a solicitor with an affidavit by him as to the execution and certification of the donor's signature, and verifying the execution of the instrument sworn by one and all of the attesting witnesses.

#### Meetings and Returns

The holding of the annual meeting under present wartime conditions has created many difficult problems for the secretary. The assembly of large numbers of people in the big towns is officially discouraged, and there are also the attendant difficulties of travel, and the hazards of hotel accommodation to be considered. To meet these difficulties many companies are holding their annual meetings in the forenoon so as to give shareholders the opportunity of arriving and departing at times with the minimum of risk. Doubts may also have arisen as to the advisability of commencing or continuing a meeting during or after alerts by siren. It is submitted that the meeting, providing a quorum is present, should be conducted in the ordinary course, during or after an alert, unless danger appears to be imminent. In such cases it would be advantageous to expedite the proceedings so as to avoid an adjournment of the meeting with all its inconveniences and complications.

A not infrequent happening these days is the inability, through the destruction of records by fire, to complete the company's accounts within the time stipulated by the Articles or by Act decreed. In such circumstances it would be advisable to send out a formal notice to the effect that the meeting is being called merely for the purpose of complying with the provisions of the Companies Act, 1929, and the Articles; that a quorum can be secured at the meeting, and that the business of the meeting will be adjourned to a subsequent date, notice of which will be duly given.

A regulation welcomed by secretaries is that which, construed as one with the Companies Act, amends Section 110 (1) of that Act by dispensing with the

obligation to include in the register of members a copy of the annual return. As a consequence subsection (2) of the Section named, which applies to the annual return the right of inspection given by Section 98 of the Companies Act in respect of the register of members, is not now effective. The right of inspection under Section 98 was rarely exercised, so the new limitation cannot in any way be oppressive, although the removal of the Registrar of Companies from Bush House to Llandudno will render searches rather more difficult. In normal times the removal of the obligation to include a copy of the annual return as part of the register of members would have saved a tremendous amount of clerical labour and office space, but under present conditions the duplicate copy will in all probability be used as a reserve should it be necessary at any time to compile from it a new register of members in the event of the old one being destroyed by enemy action.

#### General

Among the many hundreds of Orders and Acts, it is sometimes difficult to determine how far they refer to the managerial and how far to the secretarial side of the company. Two innovations which undoubtedly have imposed on the secretary onerous responsibilities are the purchase tax and the provisions in the recent Finance Act as to the deduction of income tax from salaries. The secretary is named on the official forms in these two matters, as one through whom the necessary returns should be made. Many secretaries must have spent uneasy nights pondering over the intricacies, inconsistencies and anomalies of the purchase tax. The despatch on January 10th of the first instalment due under this diffuse measure may have given him a temporary respite from uncertainties arising out of the working of the Act, but they will be renewed when the next half-yearly payment becomes due. The new income tax provisions create little additional work, for the records to be kept by the company are well planned and the analyses and instructions are simple.

Other Orders that indirectly affect the secretary cover such things as the obliteration of any part of the company's name that might betray a geographical situation; returns as to the productive capacity of the plant and machinery owned by his company; information as to the specific classes of persons in the employment of his company; the insurance of stock against war risks; claims in respect of air-raid shelters provided under the Civil Defence Act; and possibly claims for compensation for damage caused through enemy action. The secretary will also scrutinise the War Damage Bill carefully with a view to advising his board as to the possible extent of the company's liability under this head.

All these obligations press heavily on a depleted staff; to them must be added the additional one of ensuring a duplication of all office records to provide against the loss of the original records by enemy action. Photographic copies have in many cases been made of these records, but where important documents have been sent away for safe custody a certain amount of written or typewritten duplication to keep the records up to date is necessary.

# The Presentation of Trust Accounts

By JAMES S. HEATON, Incorporated Accountant.

In recent years much attention has been given to the design of accounts. Apart from the work of the Incorporated Accountants' Research Committee whose specimen forms of accounts for different trades and purposes will be well known to readers of ACCOUNTANCY, the field of study has, however, been largely confined to the accounts of public companies required to be published by the Companies Act, 1929.

There are other forms of account, open to improvements in design, which have received little consideration. Outstanding among these are trust or executorship accounts. There are still too many cases in which the legal profession does not co-operate with accountants in the preparation and presentation of trust records, but if improved methods were employed in those cases where accountants are consulted, the example of modern professional skill would produce a salutary influence generally. The form in which information is given to beneficiaries, usually under such innocent titles as "cash account," "trust accounts," "balance sheet," and the like, is amazing in variety; the only characteristics common to all bring wealth of detail and poverty of principle.

It is emphasised that the suggestions made in this article refer only to the *presentation* of trust accounts. It remains essential that records and accounts should be *prepared* on the double-entry system, with estate account, cash account (columns for capital, income and bank), income accounts, investment accounts, beneficiaries' accounts, and periodical balance sheets; and that these records should be incorporated in durable trust books, in order that any question regarding the trust may be answered without difficulty, even though years may have elapsed since the administration period.

In searching for an improved method of presentation, it is suggested that certain cardinal principles must be followed, and the most satisfactory design will be that which effects the best compromise obtainable between the contradictory elements which they contain. These principles are enumerated below:

1. The accounts or statement should be presented so as to enable the beneficiary to appreciate fully the meaning of the underlying transactions; and to reconcile the benefit obtained from the estate with the information given.
2. The amount of detail given must not be such as will obscure the realisation of the above principle.
3. Detail should, however, be sufficient to allow a more expert beneficiary, or his professional advisers, to gain information regarding relatively more technical considerations. In other words, over-simplification may be as bad as over-elaboration.
4. As death duties are such a heavy charge, the beneficiary should be able to see, as far as practicable, how the liability of the estate has been arrived at.
5. The checks (available in the more conventional trust balance sheet) should be continued, whereby the present constitution of the trust capital may be appreciated; and whereby beneficiaries' income accounts may be reconciled with available income, cash and reserves for accrued charges.

It is suggested that, where the estate at the date of death comprised very many items, a suitable condensation or grouping should be made, perhaps on the lines of the headings of the official estate duty forms (e.g., government stocks, industrials, mortgages, etc.), supplementing this, if desired, by reference to annexed schedules giving details of the constituent items in each group. The number of annexed schedules should be strictly limited, however, as the uninitiated are likely to be confused thereby. In order that the principle in 4 above may be satisfied, the first part of the account or statement should reflect the entries in the estate duty account and corrective affidavits. It is here that difficulty arises, as the amount of capital on which estate duty is paid may be quite different from the figure which would be computed as capital on purely accounting considerations; whilst aggregation may increase the rate of duty beyond that indicated by the testator's own estate. The particularly critical beneficiary, or his adviser, may thus be unable to check the rate from the appropriate tables. The complications here mentioned may be of the following types:

1. Aggregation of trust capital, of which testator was life tenant, with his own estate, for purposes of fixing rate of duty.
2. Question of rapid succession relief reducing liability.
3. Question of agricultural values levied at the 1919 rates.
4. Assets exempt from duty (immovables abroad; articles of historical, etc., interest).
5. Liabilities payable out of estate which are not allowable deductions for estate duty (cost of memorial stones; debts not for money's worth, etc.).
6. Non-aggregable assets (woodlands).

It is suggested that these difficulties may be overcome by judicious setting out of accounts in columnar form, with sufficient accompanying narrative. Where aggregation of other property passing on the death increases the rate of duty payable on the free estate, then the figures giving such rate could be shown on the face of the account in an enclosed square or footnote.

As regards legacy duty on residue, however, insuperable difficulties would appear to prevent reconciliation of duty paid with the residuary capital shown in the accounts. This is because:

1. Value of assets at retainer may not be value at which subsequently realised or divided in specie.
2. Executorship expenses are usually estimated on Form No. 3 and usually exceed the amount eventually charged.
3. All income received after death is liable, although in the accounts a proportion will be credited to capital as accrued at the date of death.
4. Payments out of trust capital may not be allowable deductions from residue for legacy duty.

In such cases, all that can be done by way of elucidation would appear to be disclosure of the rate of duty (according to relationship of legatees to testator), and, where the duty paid is considerably different from the amount found by calculating the

net residuary capital, according to the accounts and at those rates, the addition of a brief explanation by way of footnote.

An example is appended which seeks to observe, as faithfully as possible, the principles which have been discussed.

**Example :**

**TRUSTEES OF A.B., DECED.**

**Statement of Realisation and Distribution of Estate from date of death (December 31, 1938) to June 30, 1940**

	£
At the date of his death Mr. A. B. was possessed of the following assets :	
Government Stocks of the U.K., India and Dominions, valued at ... ..	20,000
Bank Shares, valued at ... ..	10,000
Railway Stocks, valued at ... ..	5,000
Shares and Debentures of industrial companies valued at ... ..	25,000
Building Society Deposits and accrued interest, Loans and Mortgages and accrued interest ...	10,200
Income accrued as tenant for life of W.B. Trust	5,050
Dividends on stocks and shares marked ex divi...	1,000
Personal effects, household goods, etc., valued at	250
Freehold Dwelling House occupied by Mr. A. B., valued at ... ..	2,000
Farm property and accrued rent thereon, valued at ... ..	5,000
Cash in the house ... ..	10,250
	250

Making gross assets which are liable to Estate Duty of 94,000  
Less Bank Overdraft, Debts owing, and Funeral expenses amounting to ... .. 24,000

Leaving capital liable to Estate Duty of ... .. 70,000

**Estate Duty Liability :**

On purely agricultural value of farm property (£5,000) at 14% ... ..	£
On balance of capital (£65,000) at 19% ... ..	700
	12,350
	13,050

Less relief for rapid succession to dwelling-house. Two deaths within three years. Relief of 30% of duty = 30% of 19% of £5,000 ... .. 285

12,765

57,235

<b>Rate of Estate Duty :</b>		In addition, Mr. A. B. possessed antiques and prints certified to be of historic interest and therefore not at present liable to duty ... ..	5,000
Free estate ... ..	70,000	And a house at Guernsey not liable to duty ... ..	765
Value of Trust Capital of which A. B. was Life Tenant ... ..	25,000		
Basis for rate (19%) ... ..	95,000		
			63,000

During the period certain investments were sold at a loss, compared with values at date of death, of ... .. £2,500  
and owing to enemy occupation, value of house at Guernsey written off as no value ... .. 765

3,265

59,735

In addition, certain payments were made which were not allowable deductions for estate duty, viz. :

Charitable gift promised before death ... ..	£300
Erection of memorial stone ... ..	200
	500

Leaving capital available for distribution (subject to expenses and legacy duty) of ... .. 59,235

Brought forward £59,235

**Expenses of proving Will and Administration of Estate :**

Solicitors' costs and disbursements ... ..	£350
Accountants' charges ... ..	100
Stamp Duties and other expenses ... ..	50
	500

58,735

**Legacies, etc., granted by the Will :**

Personal effects, etc., to widow (free of duty to her) ... ..	£2,000
Legacy duty payable by estate (1%) ... ..	20
Cost of annuity to provide £50 p.a. to housekeeper ... ..	1,070
Estate duty paid by estate (and not recovered) on gifts made to servants within 3 years prior to death—19% on £500 ... ..	95
Articles of historic interest bequeathed to National Gallery (no legacy duty) ... ..	5,000
	8,185

Balance available for distribution amongst residuary legatees (subject to Legacy duty thereon) ... .. 50,550

Legacy Duty (all persons subject to 1% rate, i.e., of lineal descent) ... .. 550

RESIDUE TO BE DIVIDED ... .. £50,000

**Divided as follows :**

To form Trust Fund for Widow during her lifetime ... .. £25,000

**Absolute interest of sons and daughters :**

Mr. J. B. One-fifth of one-half ... ..	£5,000
Mr. F. B. do. ... ..	5,000
Miss G. B. do. ... ..	5,000
Miss L. B. do. ... ..	5,000
Miss W. B. do. ... ..	5,000
	25,000
	£50,000

**Notes**

List would be provided showing present constitution of £25,000 Trust Fund.

Lists would be provided showing the manner in which the distributions of £5,000 to sons and daughters were satisfied.

Assumed that equitable apportionments barred by will.

**Income Statement—December 31, 1938, to June 30, 1940**

Net Income accrued after date of death ... .. £3,000

**Deduct :**

Income-tax on War Loan and properties ... ..	£200
Interest on overdraft and Estate Duty ... ..	500
Other expenses attributable to income ... ..	50
	750

Net Income available for division ... .. £2,250

**Divided as follows :**

	Widow	1st Son	2nd Son	1st Daughter	2nd Daughter	3rd Daughter
Share of income	£1,125	£225	£225	£225	£225	£225
<b>Paid on account :</b>						
June 30, 1939	£300	60	60	60	60	60
Dec. 31, 1939	500	100	100	100	100	100
<b>Balance now due</b>	£325	65	65	65	65	65

This is now held as follows :

Cash at Bank on Income Account ... ..	£900
Deduct amount reserved for Income-tax, etc. ... ..	250

Available for payment of above balances ... .. £650



# The Effect of War on Insolvency

By DANIEL MAHONY, Incorporated Accountant.

The tables of insolvency statistics set out below are taken from *Kemp's Mercantile Gazette*. They show a heavy decline in the number of bankruptcies and deeds of arrangement registered in England, Wales, Scotland and Northern Ireland in 1940 as compared with 1939, which itself showed a considerable decrease from the 1938 figures.

The decline in bankruptcies (39 per cent.) is relatively greater than in the case of deeds of arrangement (32 per cent.). This is a factor which might indicate a preference for the latter as a form of administration, but a comparison of the total of bankruptcies with registered deeds in each year does not show a sufficiently wide divergence to support any such conclusion. The greater decline in bankruptcies may, perhaps, be more correctly ascribed to the unwillingness of the Courts, in present difficult times, to make an order for bankruptcy, where it is at all avoidable.

The broad fact remains that cases of insolvency have heavily decreased in the first calendar war year as compared with the preceding year. A superficial view would point to the conclusion that the country became more prosperous as the war progressed. When coupled with a concurrent decrease in unemployment the sign of prosperity would appear to be emphasised. It is true that in the early part of 1940 some trades enjoyed a minor boom period, but other trades such as building, motors, etc., were experiencing a very heavy depression.

Many operations, all tending to affect trade adversely, but considered necessary for transferring the country's efforts from a peacetime to a wartime basis were, and still are, in progress. There are heavy Governmental restrictions on trading. Capital is forbidden for new enterprise along lines of peacetime progress. There have been inevitable movements of population. Small traders are being forced out of business through inability to obtain supplies of goods sufficient to make profit in excess of working expenses, and others are forced to close down their businesses because the proprietor is called up for military service. Taxation is higher than it has ever been in the country's history. In short, the collective effort of the country is being directed to an enterprise which is unproductive to the individual in a material sense. Yet insolvency has declined.

The answer appears to lie in a variety of circumstances, e.g. :—

(1) *Protective Legislation.* Many who might have become insolvent had there been no war were saved by the operation of the Courts (Emergency Powers) Act, 1939. The effect of this Act was to prevent the execution of judgments obtained in respect of pre-war debts.

(2) *Humane Considerations.* The courts are unwilling to make receiving orders where insolvency is attributable to war circumstances. There is a similar unwillingness among creditors.

(3) *Practical Considerations.* Where a debtor's assets are small, creditors often are unwilling to find money for the law costs of a petition. They will not, in their own words, "throw good money after bad."

(4) *Rising Prices.* There was a sharp upward trend in prices. The ease with which profits could be made on a rising market enabled the inefficient business man to succeed so long as he could maintain his stocks. He thus escaped insolvency for the time being.

(5) *Restriction of Credit.* In peacetime, when trade was good, credit was given freely by both banks and trading concerns. When war commenced the banks called in loans and refused advances for all but war industries. When supplies of commodities became restricted trading concerns gave preference to customers who could pay cash. With less credit being given there was less opportunity for insolvency.

There has been a gradual change-over from a credit basis of trading to one of cash or short terms. As stocks have been liquidated and replacements become less readily obtainable, so there has accumulated more ready money available for cash purchases. The supply of cash in the hands of traders had not yet been depleted in 1940 by the full operation of excess profit and other taxes.

(6) *New Enterprise Restricted.* Discouragement in the setting up of new businesses was occasioned in the few years preceding the war by the general uncertainty of trade and by the difficulty of obtaining credit. The Limitation of Supplies Orders, the Purchase Tax and Excess Profits Tax came to add to the difficulty in 1940. In peacetime it was normal to find that a large percentage of failures arose out of the setting up of new businesses. Such businesses usually ran successfully for a year or two; the proprietor adopted a standard of private spending commensurate with his early success and failed to curtail this private expenditure when the business made a loss.

The limitation of supplies has not, of course, yet had time to mark its full weight as a factor in insolvency.

Other reasons for the reduction in number of insolvency cases in 1940 no doubt exist, but in the main the reduction was caused by circumstances which are abnormal as viewed from a peacetime standpoint.

The law of supply and demand has all but ceased to operate. The basis of trading (anticipation of demand) is no longer the problem it was in peacetime. There is not the same scope for adventure. As a rule adventure in business leads to success with a relatively small number of failures. Individual failure is, in fact, a normal symptom, and a diminution in the number of failures can be an indication of curtailment of trade. It is a curious paradox that bankruptcy should thus go arm in arm with prosperity.



## STATISTICAL ABSTRACT OF FAILURES PUBLISHED IN KEMP'S MERCANTILE GAZETTE DURING THE YEAR 1940.

ENGLAND AND WALES	BANKRUPTCIES				DEEDS OF ARRANGEMENT			
	TOTALS			Increase (+) or Decrease (-) 1940	TOTALS			Increase (+) or Decrease (-) 1940
	1938	1939	1940		1938	1939	1940	
Bankers ...	—	—	—	—	—	—	—	—
Building and Timber Trades ...	432	397	261	— 136	316	277	303	+ 26
Chemists and Druggists ...	15	19	14	— 5	44	19	20	+ 1
China, Earthenware and Glass Trades ...	9	9	5	— 4	6	8	4	— 4
Coal and Mining Trades ...	57	26	20	— 6	24	10	7	— 3
Corn, Cattle and Seed Trades ...	35	30	12	— 18	29	20	12	— 8
Drapery, Silk and Woollen Trades ...	253	202	130	— 72	277	245	119	— 126
Electrical and Wireless Trades	119	97	73	— 24	95	97	45	— 52
Farmers ...	189	145	85	— 60	112	85	32	— 53
Furniture and Upholstery Trades ...	62	65	34	— 31	72	65	34	— 31
Grocery and Provision Trades	606	488	270	— 218	337	263	188	— 75
Hardware and Metal Trades ...	54	44	20	— 24	38	31	22	— 9
Iron, Steel and Engineering Trades ...	41	32	24	— 8	15	11	12	+ 1
Jewellery and Fancy Trades ...	39	33	20	— 13	39	41	16	— 25
Leather and Boot and Shoe Trades ...	38	31	23	— 8	33	33	15	— 18
Merchants, Brokers and Agents	142	119	77	— 42	38	37	13	— 24
Motor, Coachbuilding and Cycle Trades ...	116	107	60	— 47	58	53	26	— 27
Printing and Stationery Trades	48	39	32	— 7	31	18	20	+ 2
Transport and Haulage ...	86	55	23	— 32	11	16	3	— 13
Wine, Spirit, Beer and Tobacco Trades ...	160	123	65	— 58	47	43	37	— 6
Miscellaneous ...	601	571	333	— 238	101	94	63	— 31
Totals for ENGLAND AND WALES ...	3,102	2,632	1,581	— 1,051	1,728	1,466	991	— 475
" " IRELAND { Eire ...	40	33	35	+ 2	68	59	49	— 10
" " " { Northern Ireland ...	31	27	12	— 15	37	34	32	— 2
" " SCOTLAND * ...	171	161	97	— 64	274	265	166	— 99
Totals for GREAT BRITAIN AND IRELAND ...	3,344	2,853	1,725	— 1,128	2,102	1,824	1,238	— 586

\* In Scotland "Estates Sequestrated" take the place of "Bankruptcies," and "Trust Deeds" take the place of "Deeds of Arrangement."

## The Emergency Acts and Orders

In our November, 1939, issue we published the first instalment of a comprehensive guide to the wartime enactments and Orders which most concern the accountant. The series is brought up to date each month and the sixteenth instalment is given below. The summaries are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

### ORDERS

#### EXPORTS

Nos. 2027, 2061, 2102 (1940). *Export of Goods (Control) Orders, 1940, Nos. 40, 41, 42.*

Nos. 18, 19, 46 (1941). *Export of Goods (Control) Orders, 1941, Nos. 1, 2, 3.*

Amendments are made in the schedule of goods of which the export is controlled. Edible flour is removed from the list of goods which may be sent without licence to certain British colonies and protectorates.

Goods exported to Eire are no longer specially exempted from control.

(See ACCOUNTANCY, December, 1940, p. 52.)

#### FINANCE.

No. 2172 (1940). *Regulation of Payments (General Exemptions) (Amendment) (No. 8) Order, 1940.*

No. 2173 (1940). *Regulation of Payments (Paraguay) Order, 1940.*

The system of regulation of payments is extended to Paraguay.

(See ACCOUNTANCY, January, p. 67.)

No. 20 (1941). *Acquisition of Securities (No. 1) Order, 1941.*

Holdings of further American securities, including United States Treasury Bonds, in respect of which returns have been made to the Bank of England, are acquired by the Treasury at prices specified.

(See ACCOUNTANCY, January, p. 67.)

#### LIMITATION OF SUPPLIES

No. 2141 (1940). *Limitation of Supplies (Woven Textiles) Order, 1940. Licence and Direction.*

No. 2142 (1940). *Limitation of Supplies (Miscellaneous) (No. 5) Order, 1940. Licence and Direction.*

Registered persons may supply cotton or rayon piece goods, or lace and lace net, of a kind certified by the Ministry of Home Security as suitable either for the replacement of glass or for application to glass to prevent scattering, if the goods are required for the purpose of compliance with the Factories (Glass Protection) Order, 1940. The occupiers of the factory must serve a declaration in the prescribed form on the supplier, who must keep separate records.

No. 2192. *Limitation of Supplies (Miscellaneous) (No. 5) Order, 1940. Amendment to the General Licence of December 1, 1940.*

The general licence for the replacement of goods that have suffered war damage is not to authorise the supply of silk goods.

(See ACCOUNTANCY, January, p. 67.)

#### PRICES OF GOODS

No. 54 (1941).—*Prices of Goods (Permitted Prices) Amendment Order, 1941.*

Some items are deleted from previous Prices of Goods (Permitted Prices) Orders.

(See ACCOUNTANCY.)

#### PURCHASE TAX

No. 2194 (1940).—*Purchase Tax (No. 2) Regulations, 1940.*

The previous Purchase Tax Regulations, 1940 (No.

1552), are revoked and superseded. Provision is made for applications and returns to the Commissioners of Customs and Excise by registered persons and others, and for payment of the taxes. Registered persons must keep full and true accounts of all purchases and appropriations of chargeable goods and of the amount of tax due.

#### TRADING WITH THE ENEMY

No. 2093 (1940). *Trading with the Enemy (Specified Persons) (Amendment) (No. 13) Order, 1940.*

No. 3 (1941). *Trading with the Enemy (Specified Persons) (Amendment) (No. 1) Order, 1941.*

Further additions, deletions and amendments are made to the list of traders in neutral countries who are deemed to be enemies for the purposes of the Trading with the Enemy Act, 1939.

(See ACCOUNTANCY, November, 1940, p. 31.)

## TAXATION

# Excess Profits Tax

*This article on practical points arising from the Excess Profits Tax is in continuation of the series recently published.*

#### SUBSTITUTED STANDARD

Owing to the difficulty experienced by many businesses in making up their claims for an increased standard under Section 27 of the Finance Act, 1940, the time limit within which applications must be made has been extended to March 31, 1941. The Commissioners of Inland Revenue and the Board of Referees have power, of course, to allow applications to be made later, in suitable cases.

Readers will have noted that by Statutory Rules and Orders, 1940, No. 1676, applications to the Board of Referees must be made on Form A in the schedule annexed to the Order, and be accompanied by a statement setting out the facts and specifying the facts and grounds relied on in support of the application and including specified information. The statement must be signed by the applicant or a person duly authorised by him and verified by a statutory declaration in the form set out as Form C in the schedule. The application, statement and declaration are to be delivered to the Inspector of Taxes for the district in which the applicant resides or carries on business. The Inspector may require eight copies of the application and of the statement. The Inspector must, as soon as possible, deliver the documents to the Commissioners, who within 30 days must deliver them to the Registrar of the Board of Referees, with, if they intend to oppose the application, six copies of their observations, a copy of which must be delivered to the applicant. The Board may dispense with a hearing if the Commissioners do not oppose the application.

Appeals under Section 27 (2) must be made within 30 days of the receipt of formal notification from the Commissioners of the determination or decision which is the subject of the appeal, or within such further time as the Commissioners may allow. The notice is given to the Inspector, and accompanied by the same documents as mentioned above, including the statutory declaration, and eight copies of the notice and of the statement.

#### CONCESSIONS

The very complexity of the E.P.T. makes it inevitable that concessions must be made. Examples have already been noted in these columns, but we put forward an earnest plea to the Revenue to make known through the professional press all concessions of general application. It is true that Inspectors of Taxes will apply concessions in appropriate cases, but in these times of stress it is expecting too much to suppose that, with every good intention in the world, the sorely pressed officials will "spot" every case. If practising accountants were informed of the concessions, there would be no loss to the Revenue, but all taxpayers would be dealt with alike. For example, it is not generally known that leases, patents and similar assets may be brought into capital at their merited value at the commencement of the first relevant accounting period for E.P.T.

#### INCOME TAX RECOVERED

Tax recovered is apparently being brought into account as capital introduced when it first became an asset. This treatment requires some consideration. Where the repayment is in respect of retrospective adjustment of an assessment, of course, the refund merely reduces the liability deductible on January 1 in the year of assessment to which it relates, and ought to be so treated. A claim for repayment in respect of a loss can be argued as becoming an asset on the first day on which a claim could be made (usually the last day of the year of assessment involved), and the taxpayer should not be prejudiced by delay in agreeing the claim, particularly where the delay is beyond his control. The Revenue have a strong argument, of course, in the fact that the money was not, in fact, used in the business until actually repaid, particularly as the Acts do not deal with the point; it is likely that this will normally be the date taken, particularly as any other treatment may involve reopening an earlier year. The Revenue argument is worth an appeal, however, where the amount involved is worth it. Trouble in reopening is really irrelevant with a tax at one hundred per cent.



## PREPAID INCOME TAX

The Revenue appear to be taking up an unreasonable attitude on the treatment of income tax paid in advance in E.P.T. computations. Taxpayers are urged to pay in advance, yet instances have been reported of the Inspector of Taxes demanding that the discount be brought in as a profit or that the tax be regarded as a withdrawal of capital on the date of payment.

Both methods should be resisted. Rule (2) (Proviso) of Part II of the Seventh Schedule to the Finance (No. 2) Act, 1939, is mandatory: "any such debt for income tax . . . shall, for the purposes of this Part of this Schedule, be deemed to have become due . . . on the first day of January in the year of

assessment. . . ." In most cases, this involves the amount being regarded as withdrawn before it is actually paid; in the case of second instalments, the period may be six months or more. The Revenue cannot get away from the Statute and have it both ways.

As for the discount, it is considered that it is not a trading profit at all. If it could be assessed, only Case III would be appropriate; it is not interest on an investment. In fact, it appears more appropriate to bring in the discount as additional capital introduced on the date of receipt!

Readers' experiences on the matter will be welcomed.

## Taxation Notes

## Debtors in Enemy Countries, etc.

Many debts are now irrecoverable owing to their being due by debtors in enemy or enemy-occupied countries. Moreover, payment of many debts due by customers in other countries is impracticable owing to war conditions. Any such debts should be stated separately in the accounts, and regarded provisionally as good for income tax, N.D.C. and E.P.T. purposes. There should, however, be calculated the tax which would not be payable if the debts were regarded as bad, and that amount of tax will be held over until the recovery of the debts. If the debts prove ultimately to be bad, the tax will be discharged on the footing that the debts were bad on the date when they first took on the characteristic of irrecoverability, e.g. when the enemy country entered the war. Readers will need no reminder of the complications that ensue from changing a figure in the E.P.T. computations; it must be followed through all the relevant "tables" and future years, not forgetting the effect on income tax.

## A.R.P.

It is reported that the provision of protection for workers who continue to work during an alert, such as the erection of dwarf walls, safeguards against flying glass, shelters for roof watchers, etc., is an expense allowable for tax purposes, unless it is of such a character as to have a permanent value after the termination of the present hostilities. Even where capitalised, there will be occasions where the expenditure can form the subject of a claim for special obsolescence under Rule 3, Seventh Schedule, Finance (No. 2) Act, 1939, for E.P.T. purposes.

## Old-Age Allowance

For 1940/41, the point at which the marginal age allowance ceases to be advantageous, where all the income is unearned, is when the total income exceeds £608 19s. 6d.

*Proof:* If marginal relief is not claimed, the tax payable is £608 19s. 6d. at 8s. 6d. = £258 16s. 4d. If marginal relief is claimed, the tax payable is  $\frac{1}{2} \times £500$  at 8s. 6d. +  $\frac{1}{2} \times £108 19s. 6d.$  = £258 16s. 4d. This is subject in both cases to the deduction of personal, etc., allowances, which will be the same in either case. Should some of the income be earned, then the maximum is reduced. A formula is easily arrived at, but it is quicker to work out the liability in both ways.

## Capital Profits on Sale of Plant, etc.

Where plant, etc., is scrapped and the proceeds of sale exceed the written-down value (after deducting the additional allowance), arguments continually arise between the taxpayer's accountant and the Inspector of Taxes. The latter invariably contends that either the wear and tear computation should be revised to disallow the "excess allowance" equal to the capital profit or the capital profit should be deducted as a discount from the cost of any plant, etc., bought to replace that scrapped. Both contentions should be resisted, and if necessary taken to appeal before the Special Commissioners. The capital profit is entirely fortuitous. Rule 6 (6) of the Rules of Cases I and II, Schedule D, restricts the total allowances to the actual cost of the plant to the claimant, saying nothing about deducting proceeds of sale. It is considered that actual cost means initial cost, as the Rule goes on to include any expenditure on improvement, etc.

So far as the discount argument is concerned, the Crown could hardly hope to succeed; the transaction is equivalent to a sale for cash which is handed back in part payment for the new plant, etc. It is understood that the Special Commissioners have already decided in favour of the taxpayer in such a case.

Where several items of plant, etc., are sold at the same time, some at a profit and others at a loss, as may happen when several motor vehicles are replaced at once, the Commissioners regard "plant" as referring to all, not individual, items. The net result must therefore be taken into account.

## Working Proprietor: Excess Profits Tax

We have received the following interesting note from a reader:—

"A client of mine was a director of a company and also had a business of which he was sole proprietor. The business was comparatively small and its affairs were managed by agents; therefore, my client had little to do other than to receive occasional correspondence and reports from the agents. The relief in respect of a working proprietor was refused. However, I then submitted to the Inspector that my client was an early riser and was always first in the office of the company, employing such time to deal with his personal investments and business affairs before the normal working hours of the company commenced. The allowance was subsequently made."

## Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law.

*Income Tax—Trust income—Death of non-resident life-tenant—Resident executor—Executor's liability—Schedule D, Case III, Rule 18, General Rules—Apportionment Act, 1870, Section 1.*

The circumstances in *Wood v. Owen* (K.B.D., October 24, 1940, T.R. 463) were that the non-resident tenant-for-life of certain Government securities had died, and untaxed income received by the trustees, who were also non-resident, subsequent to the date of death had been apportioned, the share up to the date of death being paid to the tenant-for-life's executor. He was resident in the United Kingdom; and an assessment made upon him in respect of the share had been confirmed upon appeal. Lawrence, J., upheld the Commissioners' decision. He said that *Corbett v. C.I.R.* (1938, 1 K.B. 567, 21 T.C. 449) and other cases had decided that the income received by the executor during administration was his income and no one else's. In the present case he was bound by *C.I.R. v. Henderson's Trustees* (1931, S.C. 681, 16 T.C. 282), although he thought it might be argued that the provisions of Rule 18 produced a different result and that an assessment could only be made upon the executor where the testator was chargeable to tax. In other words, although bound, he disagreed.

He expressed doubt, however, whether he fully appreciated the significance of the argument for the appellant; and the fact that he clearly did not would seem, in the writer's opinion, to impair the value of the decision. In the *Henderson* case the income in question arose to the executors themselves. Here it arose to the trustees. Income from Government securities only arises as income from the income tax standpoint as at the due date of payment, and anything accruing in the interim is not income to the holder (*Wigmore v. Summerson* (1925, 9 T.C. 577, 41 T.L.R. 568)). The Apportionment Act, 1870, has no reference to income tax (*Henderson* case). Consequently, as the interest did not arise as income to the testator during his life, and the fact of death did not alter this position, what the executor received from the trustees under the Apportionment Act was not interest, but a payment akin to the payments in the *Corbett* case which were deemed to be capital in the hands of the life-tenant. The position may, in fact, be compared with that arising under Rule 138 of the London Stock Exchange, whereby the price of certain securities does not include accrued interest, which has to be accounted for between buyer and seller up to the date of the bargain by a separate payment. This separate payment is not the recipient's income for income tax purposes, but capital.

It would seem possible, therefore, that, had the argument been fully understood, the decision, whilst following the *Henderson* case, might have been in favour of the appellant.

*Income Tax—Deduction—Legal expenses to protect title to land abroad used for business—Schedule D, Rule 3 (a) to Cases I and II.*

In *Southern v. Borax Consolidated, Ltd.* (K.B.D., October 16, 1940, T.R. 475), the question was whether £6,249, legal expenses incurred in defending the title to certain real property in California, was admissible in computing the profits of the company. The property was used in the business. The General Commissioners had found that the amount was wholly and exclusively laid out for the purposes of the trade and had allowed it. Lawrence, J., endorsed their decision.

The main argument for the Crown was that the expense

fell upon the company as owner of the property and not as trader, and *C.I.R. v. Scottish Central Electric Power Co., Ltd.*, was relied upon. There, by a majority, the Lords had held that the Scottish owners' rates paid in respect of the company's business property were not allowable as a deduction in computing profits. But, in that case, the company had already obtained full relief under Schedule A and was trying to get a double allowance. Lawrence, J., held that, whilst the majority had based their judgment upon the ground that the rates fell upon the company as owner and not as trader, this was not decisive with reference to land situated abroad and therefore not chargeable under Schedule A, and did not prevent a finding of fact by the Commissioners.

Upon the capital or revenue issue, his opinion, based on the cases, was that where the payment was for the maintenance and not the acquisition or improvement of a fixed capital asset it was properly attributable to revenue. The title of the company, which had to be assumed to be a good one, remained the same. Nothing had been added or taken away. He then reviewed all the cases which had been cited for the Crown, and showed that all appeared to be consistent with the principle which he had stated.

The decision is to be welcomed. In the past no objection has been raised by the Revenue to the allowance of legal expenses incurred in the protection of existing business rights. And, where the division between Schedules A and D does not exist, there would seem to be no legal distinction between the different classes of fixed capital assets.

## IN PARLIAMENT

### PURCHASE TAX

**Mr. Parker** asked the Chancellor of the Exchequer whether he is aware that, when goods are sent by post, traders have been instructed by customs and excise officers to reckon Purchase Tax not only on the total cost of goods but also on the postage involved; and whether he will put a stop to this indirect attempt to increase postal charges?

**Sir K. Wood**: As provided in No. 2 of the provisions in the Eighth Schedule to the Finance (No. 2) Act, 1940, the value for the charge of Purchase Tax includes the cost of delivery to the buyer. Accordingly, when delivery is made by post, the cost of postage must be included in the calculation of the value.

### INCOME TAX

**Sir J. Mellor** asked the Chancellor of the Exchequer whether he will give an assurance that the revenue authorities will, in making assessments to Schedule A, Income Tax, not adopt the course of action of some local authorities who have required householders, applying for remission of rates on the ground that the premises have been vacated and emptied of all furniture and tenants' fittings, to certify that they have no intention of occupying the premises in the future?

**Sir K. Wood**: Relief from Income Tax, Schedule A, is given in respect of any period for which a house has been left empty and wholly unfurnished and for which no rent is payable without regard to the future intentions of the late occupier.



**FINANCE****The Month in the City****Market Year Opens Well**

From one point of view, the City got away to a very poor start in 1941, for the devastating fire raid of December 29 could hardly be called the most auspicious send-off to a New Year. Neither the material damage nor the disruption of transport and telephone services, however, had any appreciable effect on the financial workings of the City, much less on our economic war effort. Nor, certainly, did they exert any depressing effect on the tone of stock markets, though the telephone difficulty has tended still further to restrict the volume of business. Once again, in other words, markets have demonstrated that they are now practically shock-proof. Throughout the momentous events of 1940 there was only one brief phase when operators temporarily lost their sang-froid. That was the period at the end of June immediately after the collapse of France, when the *Financial News* index of ordinary shares momentarily slumped to 49.4. Thereafter, the second half of the year was a period of steady recovery. Before its close, gilt-edged had soared to new record levels since before Munich, with  $3\frac{1}{2}$  per cent. War Loan at 103 and the fixed-interest index some 10 points higher on the year at 125.9, or just very slightly below the year's high touched on the eve of the invasion of the Low Countries. Ordinary shares, on the other hand, despite an excellent recovery to 70.4, still stood more than 10 points below their February peak. In both sections of the market the improvement continued during the opening weeks of 1941. By January 21, equities had further advanced to 73.1 (against 75.3 a year earlier), while the fixed-interest index had crept up to 126.9, or slightly above the 1940 peak level. To some extent, no doubt, this movement has reflected the increasing political optimism engendered by the success of our forces in the Mediterranean and the ever more tangible promise of decisive material aid from the United States. As in previous months, however, the main stimulus has undoubtedly come from the rising pressure of investible funds generated by credit expansion. The normal January reinvestment demand arising out of interest payments on Government and other stocks has on this occasion been intensified by further payments for requisitioned dollar securities. During the past three months no less than four vesting orders have been made covering some 350 securities, though the most popular counters of all, such as International Nickel, still remain untouched.

**Two New Tap Issues**

It will be noted that in January, by contrast with the scissors movement during 1940, the advance in equities was more pronounced than in fixed-interest securities. In part, no doubt, this reflects the continued search for yield induced by the declining return on gilt-edged, but in addition interest has been somewhat deflected away from existing Government stocks by the competition of the two new tap issues— $2\frac{1}{2}$  per cent. National War Bonds, 1946-48, and 3 per cent. Savings Bonds, 1955-65—placed on sale at the beginning of the year. Subscriptions during the first three weeks of the new issues averaged close on £20,000,000 weekly, while after the usual holiday setback "small" savings have recovered to around £10,000,000 a week. Thus, loan subscriptions from the public are now bringing in some £30,000,000 weekly. With revenue at its seasonal peak, this alone is more than sufficient to finance the current deficit, so that for the moment the Treasury has been able to suspend the creation of floating debt including the new Treasury deposit receipts issued to

the banks each week) and probably to redeem some effective floating debt out of extra-budgetary receipts. Unfortunately, this position can endure for only a very few weeks, for the indications are that the current quarter will see an addition of at least a further £400 million to the current deficit, which was close on £2,000 million at the end of December. With the turn of the financial year the question whether our present reliance on voluntary savings can hope to succeed must again come strongly to the fore. It is of interest to note that a recent survey showed one-third of the working class in Bristol to favour deferred pay, "despite all the propaganda against it and the hostility of the trades unions," while for the first time a practical banker—Sir Sigismund Mendl, the chairman of the National Discount Company—has suggested in public that the adoption of the Keynes plan may have to be considered. While the City accords full recognition to the Treasury technical achievement in bringing down interest rates, strikingly illustrated in the longer life of the two new tap issues, this is not necessarily the same as approving the "voluntary savings" policy of which the new loans are an expression.

**"Cost-Free" Trust Units**

Since the outbreak of war comparatively little has been heard of the unit trust movement. It was duly noted that unit-holders, even at the worst point of the liquidity crisis precipitated by the inept raising of the Bank rate, showed no disposition to fling their holdings back on to the managers, so that the bogey of wholesale simultaneous liquidation—about which so much was heard during the expansionary phase of the movement in the years before the war—failed completely to materialise. On the contrary, it is known that a steady though modest demand for units continues and that there is even a lively interest in any available lines of units in closed trusts. This month has seen a novel development in the offer of the managers of the Orthodox Unit Trusts to buy and sell their units at the same price.

One of the characteristics of the movement in its heyday was the ingenuity with which the different managements devised individual selling points for the different trusts, and the Orthodox offer might be accepted as just such another minor variation on a common theme but for the somewhat resounding claims which are put forward for the new development. It is advanced as "the greatest step forward taken by any unit trust since the commencement of the unit trust movement"; and the units are described as a cost-free investment, free of commission, jobber's turn and stamp duty for both buyer and seller. Reflection shows that there cannot be such a thing as a cost-free investment in the true sense of the word, since buyers and sellers cannot miraculously be placed in touch without the services of specialist intermediaries who require to be remunerated—quite apart from the exactions of the Inland Revenue. What the managers propose, in fact, is to sell units at slightly less than cost price and buy them back at slightly less than their net realisation value, themselves bearing the loss corresponding to the two-way commission and stamp duty. There is only one source from which this cost can be met and that is the initial loading charge and service charges. An alternative would have been to reduce the loading charge or use part of it for sales promotion through the usual advertising media. It is not for a moment suggested that there is anything objectionable about the device adopted; but neither is it an epoch-making advance in the technique of investment.

**LAW****Legal Notes****EMERGENCY LEGISLATION**

*Discovery in aid of execution—Leave of Court for examination as to means.*

In *Galbraith v. McKenna* (1940, 4 All E.R. 303), a curious point arose under the Courts (Emergency Powers) Act, 1939. In June, 1935, the plaintiffs obtained a judgment against the defendants for £600 with interest and costs. Six weeks later they obtained an order for the oral examination of the defendants as to their means to satisfy the judgment, but the defendants failed to attend on two occasions. The defendants went outside the jurisdiction and remained outside for some years, so that it was only on September 26, 1940, that an order was made for a further appointment under the order of 1935. Then the defendants took the objection that further proceedings required the leave of the Court under the Courts (Emergency Powers) Act, 1939, which provides that, without leave of the Court, a person is not entitled to proceed to execution on, or otherwise to the enforcement of, any judgment or order of any court. Simonds, J., held that the words of the Act were of the widest scope and included any step which could legitimately be regarded as one taken in the process of recovery of a judgment and taken with a view to enforcing the judgment. Accordingly, the plaintiffs ought to have obtained leave of the Court. The fact that the original order had been made as long ago as 1935 was immaterial.

*Debenture—appointment of receiver with leave of Court—Application for leave to sell.*

In *Re Wood* (1940, 4 All E.R. 306), Morton, J., decided the important question whether when a debenture holder, having obtained leave of the Court, has appointed a receiver, and the company issuing the debenture is not in liquidation, any further leave of the Court is required before the receiver can sell the property which is subject to the charge created by the debenture. Morton, J., decided that it is not. The facts were that in November, 1938, the Company issued a debenture in favour of R.D.; it was provided that if the holder by writing appointed a receiver, that receiver should be deemed the company's agent for all purposes. On December 9, 1939, R.D. applied for leave to exercise his remedy by the appointment of a receiver. On December 22, 1939, R.D., having obtained leave, appointed B.W. (the applicant on the summons in this case) to be receiver. On October 10, 1940, B.W. applied for leave to proceed to exercise the rights and powers given to a receiver under the terms of the debenture to sell. The respondent company was not in liquidation. Morton, J., said that in selling the property comprised in the debenture, the receiver personally was not exercising any remedy available to him by way of the realisation of a security. As agent of the company, he desired to sell. The only person who could come within the words of the section was the debenture holder. But the Judge decided that the words of the section did not apply to the debenture holder, because under the debenture the receiver was to be the company's agent. It was not the debenture holder, but the company's agent, who was exercising a remedy by way of realising a security. The result was that once a debenture holder had obtained leave to appoint a receiver, the security could be realised without any further leave of the Court. The difficulty could be, and had been, overcome, by the Court, in appropriate

cases, inserting in the order for leave to appoint a receiver, a restriction ensuring that the receiver would have to come back to the Court before selling.

**EXECUTORSHIP LAW AND TRUSTS**

*Administration—Order of application of assets—Bequest of residuary estate "subject to payment of funeral and testamentary expenses and debts"—Held sufficient to vary statutory provisions.*

In *Re Harland Peck* (1940, W.N. 373) the Court of Appeal allowed an appeal from a judgment of Farwell, J. The testatrix had appointed executors and trustees and made certain legacies and bequeathed her business. She then continued: "Subject to the payment of my funeral and testamentary expenses, death duties and debts . . . I devise and bequeath all the rest and residue of my property . . . to F.H. (the plaintiff) and R.A.G. in equal shares absolutely." The will was made in 1920 and the testatrix died in 1939. R.A.G. predeceased her, with the result that the testatrix died intestate as to a moiety of her residuary estate and the defendant, C.E.M., became entitled to this moiety as next of kin. A summons was taken out asking whether the primary fund for the payment and discharge of the funeral, testamentary and administration expenses and debts, and of the pecuniary legacies and duty, was that part of the testatrix's estate as to which she died intestate, or the entire residuary estate. The Court of Appeal held that the words set out were sufficient to vary the rule in Section 34 (3) of the Administration of Estates Act, which makes the property undisposed of by will the first in order of the assets to be drawn on. The decision in *Re Kempthorne* (1930, 1 Ch. 268) was followed.

*Executors—Estates of enemy aliens—Grant ad colligenda bona—Administration of Justice Act, 1928, Section 9 (b).*

Restrictions are necessarily placed upon dealing with estates of enemy aliens. Unfortunately they would, if strictly applied, keep certain innocent persons out of their due share of the estate of a deceased person for an indefinite period. By the Administration of Justice Act, 1928, Section 9 (b), the Court has power to modify the strictness of a grant merely *ad colligenda*, and then give the Public Trustee limited powers of actual administration. By that method a creditor can obtain an unrestricted grant of administration, with the effect that he can retain his debt in the process of administration.

In *The Estate of Sanpictva* (1940, 4 All E.R. 482) two Italians resident in Milan were entitled to a reversionary interest in a trust fund in England which fell into possession on the death of their mother, an English woman married to an Italian. Solicitors, acting in England to obtain administration, paid £600 in estate duty and incurred costs both before and after the date of Italy's declaration of war. A Dutch subject, domiciled in the Netherlands, died in England, naming as executor his brother resident in Holland. His will gave a life interest to his widow, resident in England, in property in England. Debts and funeral expenses were paid on behalf of his estate. In each case application was made for a grant of administration *ad colligenda bona* in a modified form to give the Public Trustee power to reimburse the persons who had paid out moneys on behalf of the estates and also, in the case of the second estate, to pay the widow the income as provided by the will. The Public Trustee moved the Court for grants *ad*



*colligenda bona*. He is the custodian of enemy property, but in that capacity he had no power to apply for such grants. Sir Boyd Merriman, P., held that the suggested modifications were right and proper in each case, and made a grant with the condition that payment of the income to the widow should be made only with the consent of the appropriate branch of the Treasury. It was also held that an application for a single grant *ad colligenda bona* may be made direct to the Principal Probate Registry on affidavit, but, where special powers are sought, application must be made in open court.

## SCOTTISH NOTES

### DUNDEE CITY CHAMBERLAINSHIP

The Dundee City Chamberlain, Mr. William Aitken, F.I.M.T.A., has retired. The Lord Provost's Committee of the Dundee Town Council have unanimously agreed to recommend the appointment of Mr. James McNeill, the present Depute City Chamberlain, as his successor.

### TENANT'S RIGHTS TO WITHHOLD RENT

Arising out of enemy damage, there is likely to be considerable discussion as to the liability of tenants to pay rent for damaged houses, and in this respect the law in Scotland seems to be somewhat different from that in England.

A leading Scottish case is that of *The Earl of Galloway versus McConnell* (1911) in which Lord Salvesen said: "The position of a landlord and tenant is different from that of people entering into a bargain for the exchange of commodities, a particular quantity of goods being exchanged for a particular sum of money. A tenant is necessarily in a different position with his landlord. A tenant may have difficulty in making up his mind not to accept the subjects because something has not been put right. It might be hard upon the landlord if he did so, and might place the tenant

himself in embarrassing circumstances and render him unable to get another farm. Therefore he may accept the subjects in the hope that if there are things to be done the landlord will do them: on that footing he may be content to take up the lease."

In a later case, *Aberdeen Endowments Trust v. Buchan* (1940) the tenants withheld the rent on the plea that the landlords were in breach of contract in respect of failure to provide a water supply sufficient in quantity and of satisfactory quality as stipulated in the lease. The landlords contended that the action was irrelevant in respect that *ex facie* of the contract of lease the tenant had accepted the water supply on the farm as sufficient for both agricultural and domestic purposes.

Cases arising out of enemy action will likely bring forward new points.

## LETTER TO THE EDITOR

### Farm Accounts

DEAR SIR,—With due deference to the Contributor, I submit that it is not the practice to include growing crops in the valuation; the outgoing tenant reaps these crops. I know that the Revenue Authorities will not permit the inclusion of an estimate for growing crops in the valuation in the accounts.

The most convenient date for the accounts to end is March 31; at that date the stacks have been threshed, and it is possible to obtain the actual value of the wheat and oats from the return to the Wheat Commission.

So far as professional valuations are concerned, I know of a case where £10 was paid for a valuation which was within £50 of the farmer's own figure.

Farm accounts are not arduous, but the farmer shows great reluctance to record essential items of income and expense.

RUSTICUS.

# Society of Incorporated Accountants

## COUNCIL MEETING

TUESDAY, JANUARY 28, 1941

Mr. Percy Toothill, President, occupied the chair, and was supported by Mr. Richard A. Witty, Vice-President, and a number of members of the Council. Mr. A. A. Garrett, Secretary, was in attendance.

The late Mr. E. W. C. WHITTAKER.

The President paid a tribute to the late Mr. E. W. C. Whittaker, formerly a foundation member of the Council, who died on January 21. The Council adopted a resolution of condolence with his relatives.

### RESIGNATIONS

The following resignations were accepted with regret as from December 31, 1940:

Bailey, Henry Rollinson (*Associate*), Eccles.  
Blundell, William (*Associate*), Bath.  
Hird, Charles (*Associate*), London.  
McGregor, Sidney (*Associate*), London.  
Sawyer, George Harry (*Associate*), Birmingham.  
Ward, John Henry (*Associate*), Maidstone.

### DEATHS

The Secretary reported with regret the death of each of the following members:

Budd, Edgar John (*Associate*), Wolverhampton).  
Cryer, John Carl (*Associate*), Leeds.  
Danks, William Leslie (*Associate*), Salisbury. (*H.M. Forces—died on Service.*)  
Evans, Cyril Montague (*Associate*), London. (*Enemy Action.*)  
Hessey, Walter (*Associate*), Manchester.  
Osman, David (*Associate*), Swansea.  
Palmer, Reginald (*Associate*), London. (*H.M. Forces—died on Service.*)  
Roberts, Frank Sydney (*Associate*), Birmingham. (*H.M. Forces—died on Service.*)  
Vanstone, Sidney Cyril (*Associate*), London. (*H.M. Forces—enemy action.*)

Walden, Donovan Alfred (*Associate*), Bournemouth. (*H.M. Forces—killed in action.*)

Wass, Frank (*Associate*), Doncaster.

Whittaker, Edward Watts Catherington (*Fellow*), Southampton.

Wilcock, Ernest (*Associate*), London. (*Enemy action.*)

## MEMBERSHIP

The following promotions in and additions to the membership of the Society have been completed:—

### ASSOCIATES TO FELLOWS

Brown, Alfred (Alfred Brown & Co.), Manchester, Practising Accountant; Burns, Dawson (Alban & Lamb), Newport (Mon.), Practising Accountant; Forster, Frederick Minter (Walter Hunter, Bartlett, Thomas & Co.), Newport (Mon.), Practising Accountant; Threlfall, Harry, Dewsbury, Practising Accountant; Wildy, Cyril William (Allen, Baldry, Holman & Best), London, Practising Accountant.

### Associates

Acomb, Norman, Bradford; Biggs, Laurence Malcolm (Keller Snow & Co.), Guildford, Practising Accountant; Black, Alexander Reaper, Dorchester; Bose, Satya Preo, with Holmes, Widlake & Gibson, Sheffield; Fryer, John Anthony, London; George, Francis Thomas, Neath; Gray, James de Villiers Browse, with Douglas, Mackelvie, Galbraith & Co., Cape Town; Green, Thomas, with Binder, Hamlyn & Co., London; Herring, Vincent Anderson, with Bayley, Wood, Cave & Co., Manchester; Hind, George Edward, City Treasurer's Department, Sheffield; Hutt, Eric John Vilette, London; Lawler, Joseph Patrick, Cork; McNutt, James Scott, with Rawlinson, Allen and White, Sligo; Newall, Harry, Shrewsbury; Nicholas, Cecil Alfred, with B. Davies & Co., Merthyr Tydfil; Patterson, Graham, Manchester; Rees, Ronald with Ashmore, Edwards and Goskar, Swansea; Shaw, Edward Joseph Malachy, Mullingar; Sircar, Sachindra Nath, B.A., B.L., Deputy Accountant, Urban District Council, Pontypool; Thomas, Ewan Jenkin, Cardiff; Todd, Bernard Vere, London; Wardell, Robert Henry (Pelham Plunkett & Co.), Dublin.

Practising Accountant; **Wild, Reginald John**, Bradford; **Williams, Albert**, Ilfracombe; **Wilson, Tom**, County Accountant's Department, Durham.

## DISTRICT SOCIETIES

### BELFAST

The January luncheon meeting of the Incorporated Accountants' Belfast and District Society was held on January 14. Mr. P. S. Bass, A.S.A.A., gave an address on Excess Profits Tax. He dealt mainly with the method of computing assessable profits and explained fully the various expenses which were allowed. The Chairman, Mr. E. A. Anderson, thanked Mr. Bass for his address.

### BOMBAY

#### Annual Meeting

The eleventh annual meeting of the Bombay and District Society was held at Bombay on September 20. Mr. E. J. Dastur presided. The annual report and accounts were adopted, and committee members were elected. Mr. A. K. S. Aiyar was elected honorary librarian; Mr. R. K. Dalal, honorary secretary of the Study Circle; and Mr. R. N. Bhavnagri, honorary auditor.

At a meeting of the Committee, the following officers were elected for the year 1940-41: President, Mr. E. J. Dastur; vice-president, Mr. R. K. Dalal; honorary secretary and treasurer, Mr. M. D. Dubash.

## PERSONAL NOTES

H.M. The King has been pleased to approve the appointment of Mr. Ira Wild, A.S.A.A., to be a member of the Commission of the Government of Newfoundland. Mr. Wild previously served as Comptroller and Auditor-General in Newfoundland from 1934 to 1938.

A presentation was recently made to Mr. J. F. Crowder, A.S.A.A., by the directors of the *Macclesfield Times*, to express their appreciation of his services as auditor of the company over a period of 26 years.

Messrs. Walter Hunter, Bartlett, Thomas & Co., Incorporated Accountants, 24, Bridge Street, Newport (Mon.), have taken into partnership Mr. R. A. B. Heard, A.S.A.A., and Mr. W. Snelgrove, A.S.A.A. The firm name will be unchanged.

Messrs. J. & A. W. Sully & Co., of 19 and 21, Queen Victoria Street, London, Chartered Accountants, advise that Mr. Alan Francis Norman, A.C.A., son of their senior partner, has been admitted a partner in the firm as from January 1, 1941. There will be no change in the name of the firm.

## REMOVALS

Mr. J. Fred Stott, Incorporated Accountant, announces a change of address to 25, Derbyshire Lane, Stretford, Manchester.

We have been advised of the following changes of address which have arisen from enemy action:—

Messrs. Baskett & Bryant, to St. Stephen's House, Victoria Embankment, London, S.W.1.

Messrs. Bennett & Grainger, to Tudor House, 23-24, Rathbone Place, Oxford Street, London, W.1 (temporary).

Messrs. R. & D. Jeston Black, to 109, Kingsway, London, W.C.2.

Messrs. Buzzacott, Lillywhite & Co., to Brancott, Canons Close, Radlett (temporary).

Messrs. Charles G. Clark & Co., to Northgate House, 20-24, Moorgate, London, E.C.2.

Messrs. Cooper, Newall & Co., Manchester, to 273, Frederick Street, Oldham (temporary).

Messrs. Arthur Daniels & Co., Portsmouth, to 26, Hampshire Terrace, Portsmouth, and 75, West Street, Fareham.

Messrs. Farr, Rose & Mahony, to Friars House, New Broad Street, London, E.C.2.

Messrs. James Grimwood & Co., to Cross Keys House, 56, Moorgate, London, E.C.2.

Messrs. Hindley, Hamer & Co., Manchester, to 30-32, Old Street, Ashton-under-Lyne, and their London office to 426, Bush House, Aldwych, London, W.C.2.

Messrs. E. W. Longhurst & Co., to 145-6, Finsbury Pavement House, London, E.C.2 (temporary).

Messrs. Percy J. Marriage & Co., to 76, Leadenhall Street, London, E.C.3.

Messrs. Martin, Farlow & Co., to Kingsley Hotel, Bloomsbury Way, London, W.C.1 (temporary).

Messrs. Morgan, Bach & Co., to Gresham House, Old Broad Street, London, E.C.2.

Messrs. Muir, Moody & Co., to 49-53, Ludgate Hill, London, E.C.4 (temporary).

Messrs. Alfred Nixon, Son & Turner, to 40, Brazennose Street, Manchester, 2.

Messrs. Edgar Oates & Co., Manchester, to 1, Princess Street, Albert Square, Manchester, 2 (temporary).

Mr. A. Pannett, Incorporated Accountant, to Fountain House, 81, Fountain Street, Manchester.

Messrs. Pawley & Malyon, to 22, Charing Cross Road, London, W.C.2.

Messrs. Arthur E. Piggott, Son & Co., Manchester, to 70, Spring Gardens, 2. (Also the offices of the Manchester District Society).

Messrs. Ponsford, Braddy & Co., to 59-60, Gracechurch Street, London, E.C.3 (temporary).

Messrs. John J. Potter & Co., Birmingham, to 203, Jockey Road, Sutton Coldfield. (Also the offices of the Birmingham District Society.)

Messrs. Pridie, Brewster & Gold, to 61-62, Gracechurch Street, London, E.C.3 (temporary).

Messrs. Read & Thomson, to 41, Beddington Gardens, Wallington, Surrey (temporary).

Messrs. Slater, Chapman & Co., to Gardiner House, 10-14, Charterhouse Street, London, E.C.1 (temporary).

Messrs. Arnold Watson & Co., to 74, Corporation Street, Manchester, 4 (temporary).

Messrs. Keens, Shay, Keens & Co., Bilbao House, New Broad Street, London, E.C.2, have made arrangements whereby brief telephone messages will be accepted at Gerrard 4551.

## OBITUARY

### EDWARD WATTS CATHERINGTON WHITTAKER

Deep regret will be felt throughout the Society at the recent death of Mr. E. W. C. Whittaker, F.S.A.A., at 86 years of age. Mr. Whittaker was a foundation member of the Society, and of the Council, on which he served for over 50 years. He carried on public practice in Southampton and was the senior partner of the firm of Messrs. Whittaker and Bailey, now Whittaker, Bailey & Co. As a member of the Council and as Chairman of the Articles and Bye-Laws Committee he discharged his duties with marked assiduity and it was rarely that he was absent from a meeting. He was a keen supporter of the conferences of Incorporated Accountants which in peacetime were held frequently. His further interests were identified with the County of Southampton, where he was well known and was a Justice of the Peace. For many years he was Consul for Denmark in Southampton. In the course of his professional career he served the office of Vice-President of the Society from 1890 to 1894, and was the first President of the South of England District Society, with which he was identified until 1938, shortly after his retirement from active practice. Mr. Whittaker's personality and his charm of manner endeared him to his colleagues on the Council and to a large circle of friends in the Society. We extend our sympathy to the members of his family who are known to many Incorporated Accountants.

## PUBLIC AUDITORS

Owing to pressure on space we are unable to publish the usual list of Incorporated Accountants who have been appointed Public Auditors under the provisions of the Friendly Societies Act, 1896, and the Industrial and Provident Societies Act, 1893.

An alphabetical list of Public Auditors for the year 1941 is available for reference in the Society's Library. The list may also be inspected at the offices of the Registry of Friendly Societies at 17, North Audley Street, London, W.1, and The Grand Hotel, Morecambe, Lancashire, and at the office of the Assistant Registrar of Friendly Societies for Scotland at 19, Heriot Row, Edinburgh.